FARM MANAGEMENT DIVISION

NOVA SCOTIA DEPARTMENT
OF
AGRICULTURE AND MARKETING

INVESTMENT LIMITS

1983

SWINE

INVESTMENT LIMITS

- SWINE -

It was necessary to make a number of assumptions in estimating investment or borrowed capital limits for a swine farm. The assumptions and the methodology used are set out below.

ASSUMPTIONS:

1. Gross Receipts - Gross Receipts are composed of feeder hog sales. These were calculated on the basis of a 165 pound carcass with an average index of 104.1. Various price levels and production per sow combinations were used as outlined in the attached table.

2. Expenses - Expenses were estimated as outlined below. The 1982 Nova Scotia Swine Farm Business Summary for Farrow to Finish operations was used as a source document for estimating input costs. Current prices have been used in the calculations.

The following list of variable costs is based on marketing 16 market hogs per sow per year. Variable costs have been increased or decreased by $85.00 per sow per year for each one (1) hog per year variation (increase or decrease) from this level.

Feed	$ 1,521.
Hired Labor	144.
Vet & Drugs	15.
Bedding & Supplies	13.
Utilities	58.
Marketing	26.
Miscellaneous	42.
Interest - Operating Credit @ 14%	64.
TOTAL VARIABLE COSTS	$ 1,883.

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3. Labor - Operator labor was estimated to be $149.00 per sow per year. This represents unpaid operator labor and must be considered to be a minimum living allowance.

4. Formula - The following formula was then used to estimate a residual to cover fixed costs.

GROSS RECEIPTS - EXPENSES - LABOR = RESIDUAL FOR FIXED COSTS

5. Fixed Costs - Fixed costs, by our definition, includes depreciation, interest, repairs, taxes and insurance. Annual fixed costs were estimated to be 15.6 percent of initial investment.

The following assumptions were made in arriving at the above fixed cost figure:

(a) Depreciation was calculated in the normal manner on buildings, equipment and livestock at 5, 10 and 40 percent respectively.

(b) Interest was calculated in the usual manner on land, buildings and equipment at 8 percent and 14 percent on livestock.

(c) Repairs were estimated to be 2.4 percent on buildings and 5 percent on equipment.

(d) Taxes were estimated to be ½ of 1 percent on buildings and equipment.

(e) Insurance costs were estimated to be $11.25 per thousand on buildings and equipment and $8.40 per thousand on livestock. These rates are for a three (3) year period.

Given the above information, investment or borrowed capital limits were estimated for various pork prices and hogs sold per sow per year combinations. These estimates are found in the table on the following page.

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Limitation

It should be noted that these figures are only estimates and are intended to be used as a guide only. Care should be taken in their use and interpretation.

NOVEMBER 1983

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INVESTMENT LIMITS

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PRICE OF PORK	HOGS SOLD PER SOW PER YEAR									
PER CWT.	13	14	15	16	17	18	19	20	21	22
75	-	-	-	188	471	753	1032	1316	1601	1885
76	-	-	72	365	659	953	1247	1540	1834	2129
77	-	-	238	543	848	1153	1457	1761	2067	2373
78	-	88	404	720	1036	1348	1668	1982	2299	2616
79	-	243	570	897	1225	1551	1878	2204	2532	2860
80	60	398	737	1075	1413	1751	2089	2426	2765	3104
81	204	554	903	1252	1601	1950	2297	2647	2997	3348
82	349	709	1069	1429	1787	2150	2510	2869	3230	3592
83	493	863	1235	1606	1978	2349	2720	3090	3463	3835
84	637	1019	1401	1781	2161	2549	2931	3312	3696	4079
85	781	1174	1567	1961	2355	2748	3142	3534	3928	4323
86	925	1329	1734	2138	2543	2947	3352	3755	4161	4567
87	1069	1484	1900	2315	2731	3142	3563	3977	4394	4811
88	1213	1640	2066	2493	2920	3347	3774	4198	4626	5054
89	1357	1795	2233	2670	3108	3546	3984	4420	4859	5298
90	1501	1949	2399	2847	3297	3745	4195	4641	5092	5524
91	1645	2105	2565	3025	3485	3945	4405	4863	5324	5786
92	1789	2260	2731	3202	3673	4142	4612	5085	5557	6030
93	1933	2415	2898	3380	3862	4344	4826	5306	5790	6274
94	2077	2570	3063	3555	4050	4542	5036	5528	6023	6517
95	2221	2725	3230	3734	4239	4743	5247	5750	6255	6761
96	2365	2881	3396	3912	4427	4942	5458	5971	6488	7005
97	2509	3036	3562	4089	4615	5142	5668	6193	6721	7249
98	2654	3191	3728	4266	4803	5341	5879	6414	6953	7493
99	2798	3346	3895	4443	4992	5541	6089	6636	7186	7736
100	2942	3501	4061	4620	5180	5740	6296	6858	7419	7980